

MEMORANDUM FOR: N10/Econ 25 June

Class - a very interesting
think - piece by [redacted]
of OGA, the best Chinese analyst
in the business (in my
view). Today's PDB article
is a distillation, [redacted]

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LEADERSHIP DYNAMICS AND CHINESE POLICY--A SPECULATIVE ESSAYIntroduction

Various reports of leadership conflict, renewed conservative criticism of economic reforms, the imbroglio over the US ship visit and rumors of high-level personnel changes have led us to speculate that tensions are running particularly high in Beijing. Although recent provincial level appointments and continued reform in the military suggest that Deng Xiaoping's reform coalition continues ascendant, we believe the major party delegates conference scheduled for September has triggered renewed serious infighting within the top leadership. Premier Zhao Ziyang's recent unusual public denial of impending leadership shifts has added to our concern that Deng's succession arrangements may have hit a serious snag. There have been several indications in the press that major shifts within the reform coalition are planned for the next party congress in 1987, and it is possible that some or all of the arrangements are now being challenged.

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At this point, we are confident that conservative elements in the leadership are strongly attacking aspects of the urban economic reforms and the open door policy. The conservatives also appear to be pushing hard for a more rapid warming in Sino-Soviet relations and probably, a corresponding cooling in China's relations with the US. We are not as confident about the reform coalition's ability to maintain its cohesion in the face of renewed conservative attacks and the challenge of fashioning working relationships that will endure after Deng goes.

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If leadership infighting has intensified in Beijing, we believe it centers on the problem of redistributing power and arranging the succession. In our view, it is likely that General Secretary Hu Yaobang is at the center of controversy, and that fissures may be developing within the reform coalition over the appropriate roles for Hu and Zhao.

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At times of intensified infighting within the leadership, we believe foreign policy issues are exploited as weapons in the debate, but we do not believe the present signs of disarray necessarily presage significant foreign policy shifts. Indeed, the recent beefing up of President Li Xiannian's delegation to the US suggests that Beijing is anxious to balance its warming signals to Moscow by reaffirming the importance of its ties to the US. If our speculations are warranted, however, political tensions in Beijing are likely to complicate the management of Sino-US relations.

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This memo is an effort to delineate our concerns and uncertainties about the Chinese leadership situation. It is intended primarily to provide a framework for examining what may be the unfolding political dynamics in Beijing. While a plausible case can be made that current tensions are manageable, we believe it is useful to examine those aspects of the current situation that could lead to analytical surprises.

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LEADERSHIP DYNAMICS AND CHINESE POLICY

Analysis of domestic politics in China has always been based upon a composite of open-source information from the Chinese press, insights gained from other analytical sources--such as Hong Kong and Taiwan publications, [redacted] and basic assumptions about the nature of the Chinese political system and its principal actors, all yielding a "conventional wisdom" about how the system is working. Recently, there have been a number of reports that have caused us to reassess our conventional wisdom about Chinese politics and seek alternative explanations for what we see as anomalous phenomena. Individually, these reports must be treated with caution: they are in some cases highly speculative, and of uncertain accuracy. Some of them are little more than rumors from sources whose objectivity is open to question. Rumors are common in advance of a major party conclave, and many of them turn out to have little grounding in fact. The September party delegates conference, with its promise of major Central Committee reshuffling, is possibly the catalyst for a larger than average supply of rumors from interested parties. Taken as a group, however, the reports cannot be lightly dismissed, and their implications for China's foreign and domestic policies and political structures must be assessed. [redacted]

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Generally, the reports which have caused us to reevaluate our assessment of domestic Chinese politics cluster into three interrelated categories:

1. Interpersonal tensions between members of the Politburo have gotten much worse, perhaps to the point where certain leaders find it impossible to work together. This portends a factionalization of the leadership that would make the maintenance of a consensus approach to policymaking much more difficult to sustain.
2. Major leadership changes are being considered--including the power positions of the two chosen successors--that could seriously alter the way decisions are made in China.
3. Foreign policy questions--in particular relations with the Soviet Union and United States--have been drawn into the political fray and have contributed to leadership disagreements and tensions. [redacted]

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Politburo Strains

Hu Yaobang has been controversial within the party ever since his appointment as acting Chairman, and later General Secretary in 1981. Hu has been faulted for his lack of leadership experience, particularly in military affairs, and for espousing so-called "liberal" causes within the party. Most consistently, however, he has gotten in trouble because of his personality

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and leadership style. Hu is an impulsive man, impatient by his own admission, easily excitable, and animated in his words and gestures. He does not cultivate the air of calm, careful consideration that many Chinese seem to expect in their leaders. Hu has also been accused of being arrogant and rash in his decisions, making quick judgments before he has obtained all the necessary facts or consulted the appropriate officials. Hu has been attacked regularly for his all-too-freewheeling and injudicious approach to interviews with foreign journalists and government leaders. [REDACTED]

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Recently, Hu's off-the-cuff remarks have caused more than just embarrassment, but some actual political damage. Recent gaffes include several misstatements on US-China relations (the most significant being his 10 April press conference which ultimately led to the cancellation of planned US Navy port calls to China), offhand comments on recruitment of Communist Party members in Hong Kong, and several revelations to foreign journalists about policy and personnel matters that had not been announced within China. Hu frequently jokes with foreign correspondents about revealing "top secret" information to them, and there is some evidence that other Politburo leaders are not amused. Hu has been criticized for his verbal indiscretions by Chen Yun, Zhao Ziyang, Deng Xiaoping, and even members of his own staff. [REDACTED]

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The most remarkable example of Hu's indiscretion, however, is his 10 May interview with Hong Kong publisher Lu Keng. Lu, a political gadfly with a flair for journalistic sensationalism, spent 22 years in a PRC jail on suspicion of being a spy for the Kuomintang. Hu agreed to meet him one-on-one, without questions being submitted in advance, and evidently without securing the right to edit the final text. [REDACTED]

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Their two-hour interview, published in Hong Kong in early June, covered a broad range of issues and personalities, involving both domestic and foreign policies. Hu's unrehearsed remarks appeared to differ markedly from recently espoused policy lines on recovery of Taiwan, suggesting to some observers that he was either pushing China's policy in a more confrontational direction, or that he was trying to garner support from conservatives within the Politburo by talking tough on Taiwan, a touchstone issue within the leadership. Hu's interview was also sprinkled with a remarkable number of factual and analytical errors, as well as several comments about about his Politburo and Secretariat colleagues that could easily be read as backhanded compliments. Among those Hu discussed in subtly condescending terms are Wang Zhen, Hu Qiaomu, Deng Liqun, Li Desheng and, most importantly, Deng Xiaoping. [REDACTED]

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Hu's errors, compounded by forcing other officials to cover for and explain them, have probably exacerbated strains within the Politburo over his leadership abilities. Although Deng has evidently supported Hu (most recently at a May conference on education), Hu's imprudent remarks on issues,

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such as foreign policy, for which Deng has carefully crafted policies, may cause Deng embarrassment within the leadership for selecting Hu as his successor, or they may even strain personal relations between the two men.

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There are also reports that other Politburo members are not getting along well. Deng and Chen Yun are avoiding each other because their relationship has deteriorated so seriously. Chen has consistently expressed reservations about some aspects of Deng's domestic economic reform program, but it was considered that they were in general agreement on other policy matters. Recently his critiques have become sharper and more forceful. In early May, Propaganda Department chief Deng Liqun, considered a strong supporter of Chen Yun, published a pointed critique of reform policies in a Sichuan newspaper. Other reporting suggests that Zhao Ziyang is under attack from conservative quarters for mishandling the Chinese economy in the last quarter of 1984. One of Zhao's principal proteges in the leadership, Vice premier Tian Jiyun, has been heavily criticized for the financial problems that developed last year.

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Leadership Realignments Ahead?

Hu Yaobang and Deng Xiaoping have made no secret of their intention to bring about major changes in the Central Committee, Secretariat and possibly Politburo at the scheduled September conference of party delegates. Hu has indicated that 15% of the Central Committee would be replaced, and that there would be important changes and retirements in the party Secretariat. In a clear breach of party discipline, he has told foreign reporters that his protege Hu Qili would be among those promoted to the Politburo at the September meeting. Hu has been less forthcoming about other personnel changes, however. reports that Deng Xiaoping would lead a substantial group of party elders into retirement by turning over chairmanship of the crucial party Military Commission to Hu Yaobang.

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Recent rumors out of Hong Kong, have given this story a new twist. According to an account in Zheng Ming magazine, Hu would indeed replace Deng as Military Commission Chairman, but instead of retaining his party General Secretary post, he would cede it to Hu Qili. Zhao Ziyang, meanwhile, would replace Li Xiannian in the relatively powerless post of State Chairman (or President), losing his Premiership to current Vice Premier Li Peng. Variations on this story have speculated that Zhao's appointment to the State Chairmanship would be accompanied by a strengthening of that office to include some controls over military affairs.

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In an interesting break with China's usual practice of not commenting on leadership rumors from Hong Kong, Zhao Ziyang explicitly denied this story in

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early June. Talking to Western reporters, Zhao said that the "General Secretary [Hu], Central Advisory Commission [Deng] and Central Military Commission [Deng] will remain unchanged" at the September conference of delegates, while his own and Li Xiannian's positions will be decided at the National People's Congress session to be held in 1987. Zhao's demurral notwithstanding, we are inclined to question the Zheng Ming story because of its lack of consonance with other reporting, and because other pre-congress rumors of impending leadership shakeups have proven inaccurate. Nonetheless, the account cannot be dismissed out of hand [REDACTED]

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Whatever the veracity of the rumors, they do focus attention on personnel changes being planned in Beijing, and on the uncertainty of the long-term leadership picture. They suggest strongly to us that the leadership is still struggling with power distribution questions, and that the outcome has not been decided. Hu Yaobang himself has contributed to the spreading of rumors by repeatedly insisting to reporters that Hu Qili will become a member of the Politburo and by obliquely suggesting that his own position as General Secretary might be changed soon. [REDACTED]

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The most important position that Deng Xiaoping holds is the Chairmanship of the party and state Military Commissions. It has been our view that Deng must retire from this post and pass it on to Hu Yaobang to make the succession credible. [REDACTED]

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[REDACTED] Zhao's statements, as well as recent interviews with Hu Yaobang, however, suggest that the deal may have fallen through, for reasons as yet unclear. Hu told Hong Kong reporters in April, and Lu Keng in early May, that Deng would keep the position for the indefinite future. Hu even implied that he did not consider the Military Commission post that important. Nevertheless, Hu figured prominently in the May-June meeting of the Military Commission, at which major structural and personnel changes in the PLA were approved. [REDACTED]

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Foreign Policy Considerations

There have been several reports [REDACTED] that foreign policy issues have become highly politicized in the leadership. In particular, China's relations with the Soviet Union and the United States have become contentious issues. One report indicated that, while the "majority" in the Politburo favored continuing China's current policy toward the USSR, influential elders such as Chen Yun and Peng Zhen favored a more rapid amelioration of relations. Another report suggested that Chen had even tabled a specific proposal for improving trade relations with Moscow at a Politburo meeting, but it had not been approved. [REDACTED]

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Following the death of Konstantin Chernenko, China's leaders appeared to take a conciliatory approach to Moscow, calling Gorbachev "comrade," referring to the USSR as a "socialist" nation for the first time in two decades, and sending Vice Premier Li Peng to the funeral. Furthermore, China pointedly ignored commenting on the "three obstacles" to the improvement of Sino-Soviet relations for nearly three months. Western observers viewed this as concessionary behavior on the part of the Chinese, for which they received little in return from the Soviets. We believe it is a distinct possibility that the overtures were part of Deng's cautious response to pressure from within the Politburo to take a friendlier approach to the USSR. In any case, the moves apparently were not reciprocated, Deng reiterated the "three obstacles" in mid-April, and the subsequent negotiations on improving relations made no significant progress. [REDACTED]

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Hu's remarks to Lu Keng about China's policy toward Taiwan also focused attention on the impact of internal politics on China's foreign policy. Official and unofficial statements up to the time of the interview emphasized the "peaceful reunification" approach to Taiwan, while soliciting US support for Deng's "one country, two systems" formulation for resolving the issue. In contrast, Hu talked freely about the eventual use of military force (in 7-8 years) against Taiwan, linking it to progress in China's modernization. He also indicated that China might be forced to take action in response to domestic developments on Taiwan, and implied that, while US actions would be taken into account, China would not necessarily be deterred by them (Hu used China's willingness to confront the US militarily in 1949 as an example). Hu furthermore criticized US "blood transfusions" to Taiwan and intervention in PRC efforts to recover the island militarily as evidence of "unfriendly" attitudes. [REDACTED]

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While Hu's comments broke no new ground in a policy sense--other Chinese leaders having made provocative comments from time to time--we believe they are significant for two reasons:

1) They appear to go beyond what other Chinese leaders recently have been willing to say publicly on the subject--more confrontational, less concerned about US reaction, less focused on "peaceful reunification." It is noteworthy that PRC media have avoided replaying Hu's remarks, and PRC-controlled newspapers in Hong Kong have attempted subtly to correct them, specifying China's continued preference for "peaceful reunification," and criticizing foreign press "sensationalism."

2) Hu has generally not been one of the regime's main spokesmen on questions relating to Taiwan or the US, generally leaving those issues to the careful attention of Deng and Zhao Ziyang. His insertion of his views on these questions is somewhat unusual, particularly in such an authoritative fashion. Given the freewheeling nature of the interview, it is difficult to believe

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that Hu was acting as a spokesman for Deng. He may have been making noises he thought would be welcomed by other conservative leaders (i.e. Chen Yun and Peng Zhen) whose support he needs, or he may be staking his own claim for influence in foreign policy making.

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Given his potentially enhanced influence within the political system, Hu's views and impression on foreign affairs merit more careful scrutiny. Hu has on occasion held out hope for improved relations with Moscow, and has put himself on record prominently as one who considers the USSR a "socialist" country. He sent personal congratulations to Gorbachev on his selection as General Secretary of the CPSU. On the other hand, Hu does not appear to hold the US in particularly high esteem, nor does he seem eager to further relations. He appears to be somewhat more dogmatically Marxist in his understanding of geopolitics, and appears more concerned with socialism as an international cause than is Deng. While we do not believe Hu is strongly "pro-Soviet," or would inevitably seek a rapid improvement in Sino-Soviet relations, including the re-establishment of party-to-party ties, it is certainly plausible that he would be more receptive to overtures from Moscow.

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Conclusions

We are still uncertain at this point what all these diverse signals and omens actually mean. A plausible case could be made for any of several alternative explanations, each of which has significantly different implications for the succession to Deng Xiaoping, and for the future decisionmaking structure in China. Our best guess at this point is that these basic power distribution questions have not yet been resolved within China's leadership, and are becoming increasingly contentious. Several points are clear:

1. Hu Yaobang is at the center of the controversy. His powers, his personality, his relationships with other leaders, his views on important issues have contributed much to the current fluidity in Beijing. He has a significant number of detractors who evidently are seeking to block his succession to Deng or at least limit his future authority. On the other hand, he also has important support within the party and has gained a great deal of authority and prestige over the last year. He is a formidable political figure in his own right.

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2. Deng Xiaoping still holds the key. He is the one leader to whom all others look for guidance and leadership. Deng's views on his own succession arrangements may not have changed, but the pressures on him have probably escalated considerably. Deng is confronted with a dilemma: He needs to institutionalize his succession arrangements while he is still healthy enough to guarantee them, yet he faces the prospect that opposition to Hu may create the kind of leadership struggle that will not only complicate succession arrangements, but may also coalesce disparate

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elements within the party into more unified opposition to important policy initiatives, such as economic reform and the opening to the West. In our view, Deng has not made his preferences clear, but seems to be biding his time, marshalling his resources for a coming political struggle. []

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3. Deng's position as Chairman of the Military Commission is central to the outcome of the competition for power. If Hu gets it, while still retaining his party post, it would significantly enhance his personal authority and make his domination of the political system more likely. If he gets the job, but loses his General Secretary position, or if the authority of the State Chairman (possibly Zhao Ziyang) is enhanced by putting him in charge of a distinct State Military Commission, then Hu's influence within the leadership would have to be seen as diminished. On the other hand, such an arrangement would sharpen the prospects for a power struggle between Hu and Zhao in a post-Deng leadership. What influence senior military leaders will have in this decision is difficult to judge; while their political clout seems generally to have declined over the past few years, they are potential kingmakers in this scenario. The strongly conservative tone of recent propaganda could be viewed as an attempt by Hu to appeal to more orthodox conservative PLA leaders. []

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4. Policies are characterized by cautious continuity during such a period of flux. Earlier plans and policies can be carried out reasonably smoothly, but difficult decisions tend to get put off, pending the outcome of political infighting. []

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5. The party delegates conference in September will be a crucial event. In our view, Deng clearly wants to retire, but only if he can carry a significant segment of the party's old guard out with him. Personnel appointments being announced in the provinces and the military seem planned to create a sense of momentum for the rejuvenation of the party's topmost leadership ranks. We expect manifestations of leadership tension to increase as this important conclave draws nearer. []

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Two Speculative Scenarios for Leadership Change

Despite official denials, the leadership change scenario currently circulating in the rumor channels (Hu Yaobang to Chairman of the party Military Commission, Hu Qili becomes General Secretary, Zhao Ziyang moves up to State Chairman with expanded powers, Li Peng replacing him as Premier) has a certain plausibility. While it may not be fully realized this year, it could come to pass before 1987, when the 13th Party Congress and Seventh National People's Congress are scheduled to convene. In our view, the plan accomplishes a number of Deng's goals:

1. It distributes power more effectively than current succession

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arrangements.

2. It places the controversial Hu Yaobang in a post where his powers will be limited, particularly if the State Military Commission is reconstituted under the control of the State Chairman.

3. It elevates one of the party's most talented and respected young leaders, Hu Qili (56) to the leadership of the party. Although the university-educated Hu is clearly a representative of the party's "liberal" wing, he seems to have generated less antipathy among party conservatives than his mentor, Hu Yaobang.

4. It brings to key leadership positions youthful leaders of demonstrated ability. Hu Qili is 56, while Li Peng is 57--both in the same age range as Gorbachev. This generation jumping is consistent with what Deng has accomplished in other party, military, government and provincial bureaucracies, and would appear to put off further succession problems for an extended period. Deng said in January that Hu Yaobang at 70 was already an "old man."

5. In coordination with changes in the military chain-of-command and the restructuring of the Politburo, the plan would diminish the political influence of both the party old guard and the political generals of the PLA, goals which Deng has sought for several years.

The principal problem with the plan, of course, is getting others within the leadership to accept it. In our view, Deng has not yet achieved that goal. [REDACTED]

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A Darker Picture -- Official denials of the leadership change rumors may be indicative of a breakdown of consensus, i.e. that the succession plans have genuinely come unstuck. Tensions could increase to a point where leadership cohesion is lost or irreparably damaged. This could result from increased conservative demands that the reformist trend be stopped, or at least slowed, with implied or real threats not to cooperate with leadership changes planned for the September party meeting. It could also be a result of a decision by Deng to withdraw his support for Hu Yaobang as his political successor because of Hu's poor record for clear and effective leadership. Leadership change rumors may represent Deng's effort to gather support for alternative arrangements. For his part, Hu Yaobang may have decided to strike out on his own, and is seeking to enhance his own authority within the leadership, possibly at Deng's expense. [REDACTED]

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Such an exigency is not totally incompatible with some of the available evidence. At a minimum, such a factionalization of the Politburo would cause the September party meeting to be delayed, if not postponed. Economic reform and foreign policies would get put on hold, or could become embroiled in more

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strident debate as competing leaders sought support from various segments of the party and army. China's policies would likely become more conservative and dogmatic as the influence of military and security apparatus leaders became more evident. [REDACTED]

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Given the potentially dire consequences of such a breakdown at the upper levels of the leadership, we believe Deng and other leaders will make every effort to avoid such a situation. In our view, however, the Chinese political system is not yet sufficiently stabilized or institutionalized to rule out the possibility of such a breakdown. [REDACTED]

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